M·C·H·C·P
MISSOURI CONSOLIDATED
HEALTH CARE PLAN

Connections

Annual Report 2012

A Component Unit of the State of Missouri
2012 Comprehensive Annual Financial Report
Fiscal Years Ended June 30, 2012 and 2011

M·C·H·C·P
MISSOURI CONSOLIDATED HEALTH CARE PLAN

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Connections

Report prepared by Fiscal Affairs Department

A Component Unit of the State of Missouri
2012 Comprehensive Annual Financial Report
Fiscal Years Ended June 30, 2012 and 2011

Table of Contents

Ignition

Introduction

Letter from the Interim Executive Director

I am pleased to submit the annual report of the Missouri Consolidated Health Care Plan (MCHCP) for the period ended June 30, 2012. MCHCP is a component unit of the State of Missouri for financial reporting purposes and as such, the financial reports are also included in the State of Missouri Comprehensive Annual Financial Report. The financial information presented in this report is the responsibility of management of MCHCP, and sufficient internal accounting controls exist to provide a reasonable assurance regarding safekeeping of assets and fair presentation of the financial statements, supporting schedules and statistical tables. Systems and procedures are evaluated, in conjunction with the Board of Trustees, MCHCP management and Internal Audit, to provide assurances that internal controls exist and are functioning to promote objectives while minimizing risk. The report is also designed to comply with the provisions of Section 103.025 of the Revised Statutes of Missouri (RSMo), as amended.

Judith Muck
Interim Executive Director

Fiscal year 2012 was met with much optimism as we looked to improve on the many initiatives necessary to connect with you our members in improving the health and well being of our membership. Nationally, health plans have looked for ways to curb health care spending while improving the health of their populations. Many believe that a reengineered focus toward enhancing and embracing comprehensive wellness programs may deliver that promise, and MCHCP is no different. The nexus of providing affordable and comprehensive coverage is a health plan and member combined partnership to engage membership toward better health outcomes. We are pleased to report that during calendar year 2011, fifty percent of our eligible participants engaged in wellness programs; up 6 percent over 2010 participation. Wellness participants were much less likely to be admitted to the hospital or visit the emergency room. The difference in experience between wellness participants and non-participants became more significant in calendar year 2011 with 33 percent less admissions and 35 percent less emergency room visits. These measurable improvements and the hope of continued efforts remind us that as Winston Churchill once said, "Success is not final, failure is not fatal; it is the courage to continue that counts."

Fiscally, the Plan remains chiefly supported by its receipt of contributions from the State of Missouri. During fiscal year 2012, over $376 million, nearly 70 percent of revenue contributions were received from the employer — the State of Missouri. As states continue to be challenged during these economic times, we remain proud of the State's continued support of MCHCP.

Letter from the Interim Executive Director

Technology remains vitally important to the operations of MCHCP. During the plan year, we completed a website redesign to improve the member experience and mobile accessibility, upgraded internal workflows through our dedicated imaging system, and further enhanced business continuity resiliency and disaster preparedness. Efficiencies such as these contributed to a 5 percent reduction in non-claims related operations costs over 2011 costs.

For the seventeenth year in a row, MCHCP was pleased to receive the Government Finance Officers Association of the United State and Canada (GFOA) Certificate of Achievement for Excellence in Financial Reporting for its comprehensive annual financial report for the year ended June 30, 2011. The Certificate of Achievement is a prestigious national award recognizing the conformance with the highest standards for preparation of state and local government financial reports. In order to qualify, a government unit must publish a report conforming to all GFOA standards. The Certificate of Achievement is valid for a period of one year only. MCHCP will continue to strive for such recognition with its submission of our current report for consideration to GFOA.

The report is a product of the combined efforts of the MCHCP staff and the Board of Trustees. It is intended to provide complete and reliable information as a basis for making management decisions, for determining compliance with legal provisions and for evaluating the condition of the fund. MCHCP has received an unqualified opinion from our independent auditors whose report can be found on page 20.

This report is provided to the Governor, the State Auditor, members of the General Assembly, all state agencies, and all participating public entities and is viewable at www.mchcp.org. The cooperation and support of these individuals and agencies are vital to the success of the Plan. I also extend, on behalf of myself and the Board of Trustees, a great deal of appreciation to the MCHCP staff for their hard work on behalf of MCHCP members. They truly embody the theme of this year's report — our Connection to you.

Respectfully in health,

Judith Muck

Judith Muck
Interim Executive Director
Missouri Consolidated Health Care Plan
December 7, 2012

Certificate of Achievement

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Missouri Consolidated Health Care Plan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

Christopher P Morrill
President

Jeffrey R. Emer
Executive Director

Executive Team

Judith Muck

Interim Executive Director / Chief Operations Officer

By statute, the Executive Director has charge of the offices, records and employees of the Plan, subject to the direction of the board.

The Chief Operations Officer is responsible for daily management of the Plan, including customer service, communications, member records, quality, research and information technology services sections.

June Striegel Doughty

General Counsel

Represents and advises the Board of Trustees and MCHCP, serves as the Plan's Privacy Officer and is responsible for internal audit and compliance sections.

Stacia G. Fischer

Chief Fiscal Officer

Responsible for preparation of the comprehensive annual financial report, financial statements and records of the Plan, budget, purchasing, banking services, human resources and financial interfaces with outside entities.

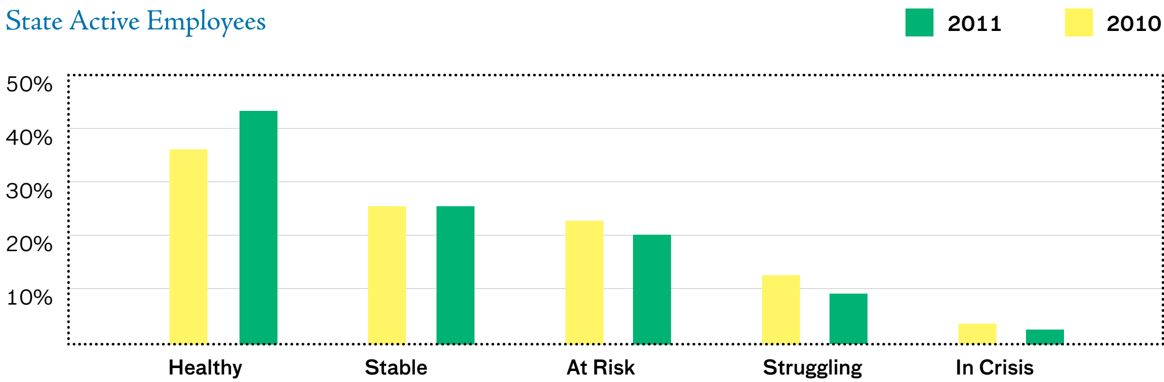
Letter from the Chairperson

It is my distinct pleasure to present to you, on behalf of the Board of Trustees, the Comprehensive Annual Financial Report for the Missouri Consolidated Health Care Plan (MCHCP).

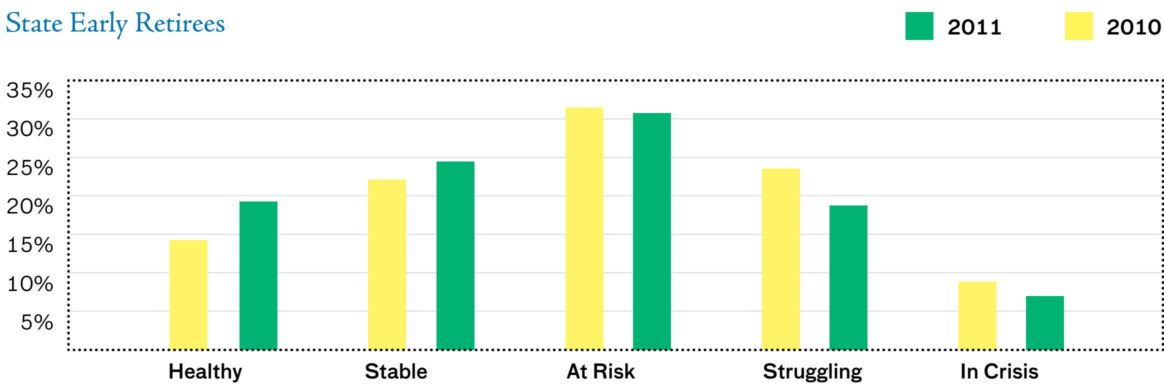
This year, as the Board looks to meet the challenges of maintaining affordable and comprehensive health care coverage for the members of MCHCP, we are reminded that our efforts in joining and forming lasting connections with our members has never been more important. The theme of this 2012 report — Connections: Working Together — emphasizes that our commitment to providing quality health care coverage can be best met when we join forces with our members to encourage healthy lifestyles.

During fiscal year 2012, expenditures for our self-funded medical and pharmacy, and fully-insured medical, dental and vision benefits for state employees exceeded $472 million. Although these health plan expenditures represent a 7 percent

Health Status
State Active Employees

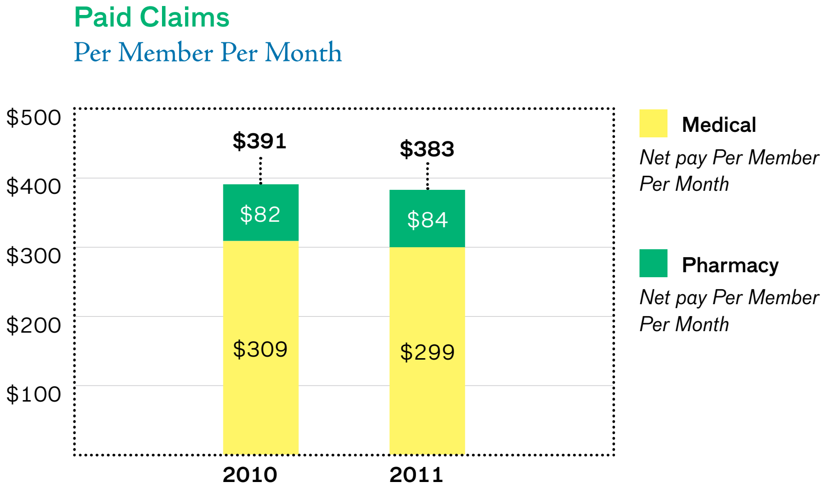


Health Status
State Early Retirees



Letter from the Chairperson

Linda S. Luebbering
Chairperson



reduction from fiscal year 2011 costs, we realize our efforts are not measured by this statistic alone. We must also continue to meet our members' needs.

For the 2012 benefit year, MCHCP expanded pharmacy benefits, introduced a Tobacco-Free Incentive for non-Medicare subscribers and covered spouses, added a PPO plan with copayments to assist members who advocated for this offering, and enhanced opportunities for members to earn the wellness incentive. Introduction of the wellness ambassador program broadened the focus of health improvement education. We feel strongly that these efforts, and those from recent periods, are seen in the improved health status of our population. As can be seen on the previous page, more of our members are now in the "healthy" or "stable" rating.

These efforts also helped achieve cost containment so necessary in challenging economic times, as can be seen in the chart above. MCHCP is also driving down administrative costs through enhanced technology and plan management, realizing a 5 percent reduction in operations expenditures for fiscal year 2012 over the prior period. We will continue to promote efficient and cost-effective strategies to enhance member satisfaction and plan operations.

We look forward to the opportunities and challenges ahead as we craft the future of our health plan and thank the staff and advisers who have worked with us so diligently this past year.

Sincerely,

Linda S. Luebbering

Linda S. Luebbering
Chairperson
Board of Trustees
December 7, 2012

Board of Trustees

Honorable Eric Burlison

Missouri House of Representatives
Springfield

Appointed by the Speaker of the House of Representatives

Erin Burlison-Huss

Partner
Lohmar, Staebell & Burlison, LLC
O'Fallon

Governor-Appointed Member

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Kansas City

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Department of Health & Senior Services,
Jefferson City

Ex Officio Member

Committees: Audit, Budget & Investment, Benefits & Wellness, Personnel

John M. Huff

Director
Department of Insurance, Financial Institutions & Professional Registration,
Jefferson City

Ex Officio Member

Committees: Audit, Budget & Investment, Benefits & Wellness

Linda S. Luebbering

Chairperson
State Budget Director
Office of Administration,
Jefferson City

Governor-Appointed Member

Committees: Audit, Budget & Investment, Benefits & Wellness, Personnel

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Coventry Health Care of Kansas – Kathy Rapp
Delta Dental – Lynn Pyle
Express Scripts, Inc. – Christine Barnard
StayWell Health Management – Karyn Entzion
Towers Watson – Steve Korbecki
Truven Health Analytics – Tom Weatherup
UMR – Becky Nielsen
Williams Keepers, LLC – Heidi Chick, C.P.A.
Vision Service Plan – Brian Nichelmann

Auditors

Williams Keepers, LLC

Banking

Central Trust Bank

Consulting

Towers Watson

Copay Plan

UMR

Decision Support System

Truven Health Analytics

Dental Program

Delta Dental

Disease Management Program

UMR
Coventry Health Care of Kansas

Employee Assistance Program

Compsych
Magellan Health Services

Health Maintenance Organization (HMO)

Coventry Health Care of Kansas

Health Savings Account (HSA)

Central Bank

High Deductible Health Plan (HDHP)

UMR

Medicare Supplement Plan

UMR

Pharmacy Benefit Manager

Express Scripts, Inc.

Preferred Provider Organization (PPO)

UMR
Coventry Health Care of Kansas

Vision Program

Vision Service Plan

Wellness Program

StayWell Health Management

Summary of Plan Provisions

Purpose

Established Jan. 1, 1994, the Missouri Consolidated Health Care Plan (MCHCP) was created to provide health care benefits to most state employees, retirees and their dependents, and public entities within the state that join the Plan.

Vision

To be recognized and valued by our members as their advocate in providing affordable, accessible, quality health care options.

Mission

To provide access to quality and affordable health insurance to state and local government employees.

We will accomplish this by:

- Consolidating purchasing power and administration to achieve benefits not available to individual employer members
- Creating collaborations to ensure the needs of individual members are understood and met
- Ensuring fiscal responsibility
- Developing innovative delivery options and incentives
- Identifying and contracting with high-value plans
- Maintaining a high-quality and knowledgeable work force

Administration

MCHCP administers medical, dental and vision benefits and an employee assistance program (EAP) for most members of the Missouri State Employees' Retirement System, Judicial Retirement Plan, some members of the Public School Retirement System, legislators, statewide elected officials and eligible public entity members. In addition, dental, vision and EAP benefits are available to employees and retirees of the Departments of Conservation and Transportation, and the Missouri State Highway Patrol.

Missouri statutes provide that the administration of MCHCP be vested in a 13-member Board of Trustees. The Board is composed of:

- The Director of the Department of Health and Senior Services, serving ex officio
- The Director of the Department of Insurance, Financial Institutions and Professional Registration, serving ex officio
- The Commissioner of the state Office of Administration, serving ex officio
- Two members of the Senate, appointed by the President Pro Tem of the Senate
- Two members of the House of Representatives, appointed by the Speaker of the House of Representatives
- Six members appointed by the Governor with the advice and consent of the Senate. Of the six members appointed by the Governor, three shall be citizens of the state of Missouri who are not members of the plan but who are familiar with medical issues. The remaining three members of the Board shall be members of the plan

The management of MCHCP is the responsibility of the Executive Director, who is appointed by the Board of Trustees and serves at its pleasure.

The Executive Director acts as advisor to the Board on all matters pertaining to MCHCP and, with the approval of the Board, contracts for professional services and employs the staff needed to operate the organization.

Summary of Plan Provisions

Medical Plans

Preferred Provider Organization (PPO) plans and a High Deductible Health Plan with Health Savings Account (HDHP with HSA) are available to all members. Preventive care, including annual physical exams, age-specific cancer screenings and immunizations, is covered at no cost to the member.

Preferred Provider Organization (PPO) Plans

MCHCP's PPO plans use a network of preferred providers. A PPO plan allows members to use any provider, but claim reimbursement is higher when utilizing the PPO network. The PPO plans have network benefits that require a deductible be met before claims are paid at varying percentages based on the PPO plan selected. The out-of-pocket maximum ensures a member's annual medical expenses are capped. One of the PPO plans provides copayments for office, urgent care and emergency room visits. Copayments do not count toward the deductible or out-of-pocket maximum.

High Deductible Health Plan with Health Savings Account (HDHP with HSA)

The HDHP with HSA offers higher deductibles than most PPO plans but provides a tax-advantaged way to help members save for future medical expenses. Enrollment in an MCHCP-qualified HDHP is required for participation in a Health Savings Account (HSA). The Internal Revenue Service establishes maximum annual HSA contribution amounts, but there is no limit on the balance of the HSA. MCHCP contributes funds to state members' HSAs on a monthly basis. HSA funds can be used for qualified medical and pharmacy expenses, and deductible and coinsurance amounts.

Medicare Supplement Plan

State retirees with Medicare may enroll in the Medicare Supplement Plan. This plan helps cover some of the health care costs not covered by Medicare Parts A and B, such as coinsurance. This plan only pays for services that Medicare deems medically necessary.

TRICARE Supplement Plan

MCHCP members with TRICARE, the Department of Defense's health benefit program for the military community, may enroll in the TRICARE Supplement Plan. This plan covers all out-of-pocket costs, including copayments and deductibles, for services covered by TRICARE.

Prescription Drug Plan

With the exception of the TRICARE Supplement Plan, MCHCP medical plan members are automatically enrolled in the prescription drug plan. The plan maintains a broad choice of covered drugs and promotes the use of generic drugs. A drug formulary with required prior authorizations, quantity level limits and step therapy ensures members get the safest drugs at the best cost possible.

Dental Plan

The dental plan offers a broad network of providers in the state. Preventive care, such as examinations and cleanings, is covered at 100 percent and does not count toward the plan year maximum benefit amount. Additional cleanings are provided for members who are pregnant, diabetic, have a suppressed immune system or have a history of periodontal therapy. The plan also covers fillings, extractions, root canals, bridges, dentures, crowns, the treatment of gum disease and other services with varying deductibles and coinsurance.

Summary of Plan Provisions

Vision Plan

The vision plan offers set copayments for services received from network providers and allowances for services obtained from non-network providers. The plan covers examinations, lenses, frames, contact lenses and corrective laser surgery. Members can receive discounts on additional glasses and sunglasses from any provider within 12 months of an eye exam.

Employee Assistance Program (EAP)

The EAP is a confidential counseling and referral service that can help employees and their families deal with life's challenges. EAP services are available at no cost to all active state employees and members of their households. The program can help with issues such as stress, parenting, alcohol and drug abuse, marital problems, anxiety, depression, legal and financial concerns, identity theft and consumer fraud protection.

Wellness Program

The state of Missouri values the health and well-being of state employees and their families. MCHCP's wellness program focuses on understanding health risks, making smart lifestyle choices, and empowering employees to take an active role in their health. Employees have access to a robust wellness program that provides health-related services and information. Weekly email messages contain expert advice from registered dietitians on wellness-related topics. Plus, each state agency has a wellness ambassador to organize on-site activities and services for fellow employees.

The program also offers premium incentives and telephonic health coaching to medical plan participants who meet specific health goals throughout the year. Members receive additional premium reductions for being tobacco-free or agreeing to participate in a tobacco cessation program.

Disease Management Program

The Disease Management program encourages members with chronic conditions, such as diabetes and high blood pressure, to participate in a nurse coaching program. Members learn new ways to control their conditions, and avoid health crises and relapses that can lead to emergency room visits. Nurses may communicate with a member's health care provider to provide support between office visits.

Schematics

Financial

Report of Independent Auditors

WILLIAMS KEEPERS LLC
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

2005 West Broadway, Suite 100, Columbia, MO 65203
OFFICE (573) 442-6171 FAX (573) 777-7800

3220 West Edgewood, Suite E, Jefferson City, MO 65109
OFFICE (573) 635-6196 FAX (573) 644-7240

www.williamskeepers.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Missouri Consolidated Health Care Plan

We have audited the accompanying financial statements of each major fund of Missouri Consolidated Health Care Plan (the Plan) as of and for the years ended June 30, 2012 and 2011, which collectively comprise the Plan's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Plan's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the Plan as of June 30, 2012 and 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended in conformity with U.S. generally accepted accounting principles.

U.S. generally accepted accounting principles require the management's discussion and analysis and the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Plan's financial statements as a whole. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the financial statements. These sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Williams Keepers LLC

December 7, 2012

Management's Discussion & Analysis

This section of the annual financial report provides an overview and analysis of the financial activities of the Missouri Consolidated Health Care Plan (MCHCP) for the fiscal years ended June 30, 2012, through 2011. We encourage you to consider the information presented here in conjunction with additional information presented in the basic financial statements which follow this section.

Fiscal year ended June 30, 2012, became the fifth year of presentation for the adoption of the provisions of Governmental Accounting Standards Board (GASB) Statement #43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. Implementation was not required until fiscal year 2008 because MCHCP previously accounted and reported for its activities under GASB #10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues. GASB #10 was amended by GASB #45 but remained in effect for accounting for health care benefits to retirees until the effective date of GASB #45. Thus, GASB #45 was effective for MCHCP's fiscal year ended June 30, 2008.

As a result of implementation, MCHCP created a separate fiduciary trust fund (State Retiree Welfare Benefit Trust or SRWBT) to handle the post-employment benefits for state employees. Prior to that time, the Internal Service Fund (ISF) of MCHCP handled both active and retired participants. For the current fiscal year, even though there was no significant change from an operational aspect, the net assets and activity related to active participants is reported in the ISF and the net assets and activity related to retired participants is reported in the SRWBT in the accompanying financial statements.

Fund Accounting

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. MCHCP, like other discretely presented component units of the State of Missouri (as defined by GASB Statement #14), uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. There are three categories available for governmental accounting: governmental funds, proprietary funds and fiduciary funds. The ISF is considered to be a proprietary fund while SRWBT is classified as a fiduciary fund. MCHCP does not have any governmental funds.

Proprietary Funds. Proprietary funds account for governmental operations that are designed to be self-supporting from fees charged to consumers for the provision of those goods and services or where the government has decided that the periodic determination of revenues, expenses, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The accounting and financial reporting practices of proprietary funds are similar to those used for business enterprises and focus on capital maintenance and the flow of economic resources through the use of accrual accounting. Of the two types of proprietary funds, MCHCP maintains one type: internal service fund. Internal service funds account for the financing of goods or services provided by one governmental department or agency to another and are expected to be self-supporting through charges to users. MCHCP's purpose is to provide medical insurance benefits to the State of Missouri's and other participating Missouri public entities' employees, retirees, and their dependents.

Fiduciary Funds. Fiduciary funds account for assets held in a trustee or agency capacity for others and, therefore, cannot be used to support the government's own programs. Fiduciary fund accounting is similar to that used for proprietary funds. The purpose of the SRWBT is to provide health and welfare benefits for the exclusive benefit of current and retired employees of the State and their dependents who meet eligibility requirements, except for those retired members covered by other post employment benefit (OPEB) plans of the State.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Plan's basic financial statements. Typically, governmental financial statements would be presented as three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. However, because the Plan has only proprietary and fiduciary funds, government-wide financial statements are not presented. Proprietary funds present financial statement information in the same manner as government-wide financial statements only with more detail, and government-wide financial statements would be repetitive. In addition, fiduciary funds are not reflected in government-wide financial statements because the resources of that fund are not available to support MCHCP's own programs.

MCHCP presents the ISF and SRWBT on separate fund financial statements. For the ISF, the basic financial statements are comprised of the Balance Sheet; the Statement of Revenues, Expenses and Change in Net Assets; and the Statement of Cash Flows. For SRWBT, the basic financial statements are comprised of the Statement of Plan Net Assets and the Statement of Change in Plan Net Assets.

The Notes to the Financial Statements are also part of the basic financial statements and apply to both the ISF and SRWBT. The financial statements are prepared on the accrual basis in accordance with U.S. generally accepted accounting principles applicable to governmental benefit plans.

The Balance Sheet and Statement of Plan Net Assets present MCHCP's financial position as of the end of the fiscal year for each fund. Information is displayed as assets and liabilities, with the difference between the two reported as net assets or deficit. The net assets of MCHCP reflect the resources available as of the end of the fiscal year to pay benefits to members when due. Over time, increases and decreases in net assets measure whether MCHCP's financial position is improving or deteriorating.

The Statement of Revenues, Expenses and Change in Net Assets and the Statement of Change in Plan Net Assets present information detailing the revenues and expenses that resulted in the change in net assets that occurred during the current fiscal year. All revenues and expenses are reported on an accrual basis. This means that the revenue or expense is recognized as soon as the underlying event giving rise to the change occurs, regardless of when the actual cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods. For example, contributions due from a public entity, even though not yet paid by year end, will be reflected as revenue. Likewise, claims that occurred during the fiscal year under self-funded plans will be reflected as an expense, whether or not they have been paid as of the end of the fiscal year. The Statement of Cash Flows presents the cash inflows and outflows of the ISF categorized by operating, capital and related

financing, and investing activities. It reconciles the beginning and end of year cash balances contained in the Balance Sheet. The effects of accrual accounting are adjusted out and noncash activities, such as depreciation, are removed to supplement the presentation in the Statement of Revenue, Expenses and Change in Net Assets. A statement of cash flows is not required for the SRWBT.

The Notes to Financial Statements follow the above basic financial statements and provide additional information that is essential to a full understanding of the data provided in the financial statements.

Financial Analysis

The tables on the following pages present summarized financial position and results for the fiscal years ending June 30, 2012, 2011, and 2010. Additional details are available in the accompanying basic financial statements. For fiscal years ended June 30, 2012, 2011, and 2010, comments are separated between the ISF (active participants) and the SRWBT (retired participants) as appropriate.

Current assets have increased for the years ended June 30, 2012, 2011, and 2010, primarily due to changes in cash and cash equivalents as a result of positive results from operating activities for both years in addition to changes in receivables noted on the following pages.

Capital asset activity has been minimal as operations have not changed significantly during the years presented.

Increases in rebates and other receivables during 2012 over 2011 are due primarily to the timing of receipt of pharmacy and Medicare Part D rebates at each fiscal year end. Pharmacy rebates receivable at June 30, 2012, 2011, and 2010, respectively, for the ISF were $1,665,787, $1,518,566, and $2,026,891, while rebates for the SRWBT totaled $2,644,814, $2,441,249, and $3,915,424 for the same period. Increases in other receivables at June 30, 2012 over 2011 are primarily related to an investment receivable in the amount of $1,000,000. Claims recoveries and overpayments by the third party administrator of $148,227 and $384,053, respectively, were lower in 2012 over 2011 due to claims volume and recovery timing.

Accrued medical claims and fees decreased for the ISF for the year ended June 30, 2012 over 2011, primarily due to a 2 percent decrease in covered lives at June 30, 2012 over year end June 30, 2011 and the associated reduction in the IBNR (incurred but not reported) estimate. Improvements in the health risk profile of plan participants during calendar year 2011 over similar risk profiles during calendar year 2010 also contributed to these decreases. Accrued medical claims and fees for the SRWBT increased for the year ended June 30, 2012 over 2011, primarily due to the increase in the IBNR (incurred by not reported) estimate associated with a one percent increase in covered retirees for the period. Accrued medical claims and fees at June 30, 2011, were lower than in 2010 due to decreased enrollment of approximately 7 percent.

Deferred premium revenues for June 30, 2012, were influenced by the increase in state contributions for the June 30, 2012, payroll period over collections received for June 30, 2011. For both the ISF and SRWBT, deferred premiums totaled $31,558,642 at June 30, 2012, an increase over the previous fiscal year ended 2011, due primarily to the State's contribution at June 30, 2012,

Condensed Balance Sheets

Internal Service Fund

Assets	2012	2011	2010
Current assets	$183,787,305	$146,077,527	$116,431,949
Capital assets	344,762	333,028	464,595
Total assets	**$184,132,067**	$146,410,555	$116,896,544

Liabilities & Net Assets			
Accrued medical claims and fees	$40,696,169	$42,047,885	$47,839,736
Deferred premiums and other liabilities	42,639,991	40,615,410	29,878,083
Total current liabilities	83,336,160	82,663,295	77,717,819
Net Assets			
Unrestricted	100,539,626	63,414,232	38,760,400
Invested in capital assets, net of related debt	256,281	333,028	418,325
Total net assets	**100,795,907**	63,747,260	39,178,725
Total liabilities and net assets	**$184,132,067**	$146,410,555	$116,896,544

Statements of Plan Net Assets

State Retiree Welfare Benefit Trust

Assets	2012	2011	2010
Cash and cash equivalents	$4,239,441	$3,505,970	$2,715,702
Due from MCHCP	15,633,758	14,692,830	13,569,396
Investments	76,407,124	73,948,417	66,239,556
Receivables			
Prescription drug rebates	1,255,081	1,047,530	1,367,356
Retiree drug subsidy	1,389,733	1,393,719	2,548,068
Other receivables	307,689	348,141	324,223
Total receivables	2,952,503	2,789,390	4,239,647
Total assets	**$99,232,826**	$94,936,607	$86,764,301

Liabilities			
Accrued medical claims and capitation fees	$10,052,000	$9,534,000	$9,802,000
Deferred revenue	5,314,127	4,924,102	3,654,757
Other liabilities	267,631	258,647	112,639
Total liabilities	**15,633,758**	14,716,749	13,569,396
Net assets, held in trust for other post-employment benefits	**$83,599,068**	$80,219,858	$73,194,905

being higher than the previous year end period. Additionally, during fiscal year 2012 and 2011, respectively, the MCHCP applied for and received $6,242,377 and $5,395,183 from the Early Retiree Reinsurance Program (ERRP). The Early Retiree Reinsurance Program was authorized by the Patient Protection and Affordable Care Act. Funds in the amount of $2,975,381 were used in calendar year 2012 to offset member premiums, leaving $8,662,180 deferred for future periods. Deferred premium revenues for June 30, 2010, were influenced by State contributions during the year. For both the ISF and SRWBT, deferred premiums totaled $19,625,528 at June 30, 2010. Deferred premiums and other liabilities are most significantly influenced by the State's payroll cycle and the timing of receipt of premium payments to MCHCP prior to the effective date of coverage. SRWBT deferred revenues are composed of premium deductions from retiree benefit checks received from MOSERS prior to the month of coverage.

State/Employer contributions for fiscal years 2012, 2011, and 2010 for both the ISF and the SRWBT totaled $376,894,548, $407,600,556, and $431,338,410, respectively. Funding for the years represented are attributable to the State's appropriation to fund the claims costs and operations expense attributable to State employee health benefits. Ultimately, claims costs for state employees are backed by the State of Missouri should contributions not be sufficient to cover claims needs. Member contributions for the ISF for the years ended June 30, 2012 and 2011, increased due to changes in the mix of enrollment and the changes in plan design. Member contributions for the SRWBT remained relatively unchanged for the years ended June 30, 2012 and 2011.

Condensed Statements of Revenue, Expenses & Change in Net Assets

Internal Service Fund

Operating Revenues	**2012**	2011	2010
State/employer contributions	$319,804,444	$354,247,003	$356,953,666
State employee/member contributions	89,797,753	83,925,846	73,309,792
Public entity contributions	8,492,621	9,513,436	10,295,456
Subcontractor and other rebates	5,375,360	4,522,990	5,344,809
Total operating revenues	**$423,470,178**	$452,209,275	$445,903,723
Operating Expenses			
Medical claims and capitation expense	$381,291,864	$422,066,045	$422,117,593
General and administration expense	5,983,130	6,283,507	6,506,897
Total operating expenses	**387,274,994**	428,349,552	428,624,490
Operating income	36,195,184	23,859,723	17,279,233
Investment income and other changes	853,463	708,812	1,104,898
Excess of revenues over expenses	37,048,647	24,568,535	18,384,131
Net assets, beginning of the year	63,747,260	39,178,725	20,794,594
Net assets, end of the year	**$100,795,907**	$63,747,260	$39,178,725

Public entity enrollment at June 30, 2012, decreased approximately seven percent over enrollment at June 30, 2011. The reduction in enrollment in 2012 resulted in approximately an 11 percent decrease in public entity contributions over contributions for the same period ended June 30, 2011, of $9,513,437. Public entity enrollment for 2011 over 2010 decreased and resulted in public entity contributions being reduced by approximately eight percent.

Beginning January 1, 2006, Medicare prescription drug coverage was made available to all people with Medicare, regardless of income, health status, or current health care. Because the prescription drug coverage offered by MCHCP was actuarially considered, on average for all plan participants, to be at least as good as standard Medicare coverage, members were encouraged to keep their MCHCP coverage. During fiscal years 2012, 2011, and 2010 the SRWBT received $8,276,098, $8,216,818, and $8,335,420 in subsidy payments for both the retiree drug subsidy and other rebates, respectively.

Wellness and disease management programs are incorporated in an effort to promote healthy member outcomes and for cost containment measures. Decreases in operating expenses and vendor costs are attributable to competitive procurement for third party administrator services and influenced by technology and automation in Plan operations. For the years ended June 30, 2012 through 2010, the disease management costs are included in the monthly third party administrator fees paid to the new administrator. Self-funded health care costs for the period ended June 30, 2012, 2011, and 2010 for the ISF and the SRWBT totaled $421,935,029, $456,882,919, and $443,653,461, respectively.

Statements of Change in Plan Net Assets

State Retiree Welfare Benefit Trust

Additions	**2012**	2011	2010
Employer contributions	$57,090,104	$53,353,553	$74,384,744
Employee contributions	50,832,210	50,923,370	50,658,363
Investment income	3,491,526	8,838,531	3,420,671
Retiree drug subsidy and other rebates	8,276,097	8,216,818	8,335,420
Total additions	**$119,689,937**	$121,332,272	$136,799,198
Deductions			
Medical claims and capitation expense	$109,968,530	$107,360,435	$104,628,432
Claims administration services	3,764,844	4,115,613	4,570,596
Administration and other	2,577,353	2,831,271	3,056,839
Total deductions	**116,310,727**	114,307,319	112,255,867
Net increase	3,379,210	7,024,953	24,543,331
Net assets held in trust for other post-employment benefits			
Beginning of year	80,219,858	73,194,905	48,651,574
End of year	**$83,599,068**	$80,219,858	$73,194,905

Fluctuations in self-funded expenditures are reflective of enrolled populations and the mix and related medical trend in both medical and pharmacy costs. Decreases in self-funded health care costs at June 30, 2012, over prior periods, are indicative of improvements in health risk profiles of the MCHCP population, and management initiatives to introduce wellness ambassadors and pilot programs within workforces to encourage and promote healthy lifestyles and benefit utilization. Claims administrative service costs are based on the enrollment in self-funded options for the fiscal periods of 2012 through 2010.

MCHCP's cash is invested conservatively in overnight repurchase agreements to preserve principal and maintain liquidity. MCHCP has invested approximately $35,000,000 in longer term maturities in an effort to maximize return on investment and to diversify the portfolio. Investment income for the ISF and SRWBT consists of interest income, unrealized gains and losses in fair value, accretion of discounts, and amortization of premiums. Investment income for the ISF and the SRWBT was realized in the amount of $4,344,989 for 2012, $9,547,343 for 2011, and $4,318,149 for 2010 and is predicated on the availability of investable assets and the economic conditions influencing market conditions.

MCHCP's actuary reviews the financial assets of MCHCP's trust in conjunction with the reserve obligations and funding available as provided by the Missouri General Assembly. Due to the recent state of economic conditions facing the State, the MCHCP, members of the General Assembly, and the State's Office of Budget and Planning meet regularly to discuss funding needs and projected claims expenditures in an effort to develop funding levels for the Plan. Ultimately, the funding of claims costs are backed by the State of Missouri should contributions be unable to meet claims obligations.

Summary

During the years presented, MCHCP faced a tightened State budget, which compelled it to look at new products and changes to benefit offerings. Combined with expected continued escalation in health care costs, MCHCP faces significant challenges in an effort to provide affordable health care coverage to its members. As a result, MCHCP has explored a full range of viable options to accommodate the State budget, including changes in benefit design, modifications in copayment, deductibles, premiums, and changes in provider networks. Wellness and disease management programs were developed and are becoming the progressive instrument to continue to foster healthier outcomes and reduce claims expenditures. The overall financial position of MCHCP is reliant upon state funding, cost containment, and comprehensive benefits review of the self-funded programs to continue to generate a healthier membership in MCHCP.

Requests For Information

This financial report is designed to provide a general overview of MCHCP's financial position for all those with an interest in MCHCP. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Missouri Consolidated Health Care Plan, 832 Weathered Rock Court, PO Box 104355, Jefferson City, Missouri 65110-4355.

Balance Sheets
Internal Service Fund

As of June 30, 2012 & 2011

Assets	2012	2011
Current Assets		
Cash and cash equivalents	$145,622,239	$108,932,381
Investments	34,916,963	34,931,460
Rebates and other receivables	3,126,455	2,182,890
Prepaid expenses	121,648	30,796
Total current assets	183,787,305	146,077,527
Capital Assets		
Furniture, fixtures and equipment, net of accumulated depreciation of $2,569,078 and $2,544,930, respectively	344,762	333,028
Total assets	**$184,132,067**	$146,410,555

Liabilities & Net Assets	2012	2011
Accrued medical claims and capitation fee expense	$40,696,169	$42,047,885
Accounts payable and accrued expenses	761,718	699,299
Due to SRWBT	15,633,758	14,692,830
Deferred premium revenue	26,244,515	25,223,281
Total current liabilities	**83,336,160**	82,663,295
Net assets		
Unrestricted	100,539,626	63,414,232
Invested in capital assets, net of related debt	256,281	333,028
Total net assets	**100,795,907**	63,747,260
Total liabilities and net assets	**$184,132,067**	$146,410,555

The accompanying notes are an integral part of the financial statements.

Statements of Revenues, Expenses & Change in Net Assets
Internal Service Fund

For the years ended June 30, 2012 & 2011

Operating Revenues	2012	2011
State/employer contributions	$319,804,444	$354,247,003
Member contributions	89,797,753	83,925,846
Public entity contributions	8,492,621	9,513,436
Pharmacy rebates	5,375,360	4,522,990
Total operating revenues	**$423,470,178**	$452,209,275

Operating Expenses		
Medical claims and capitation expense	$369,224,125	$409,567,239
Claims administration services	10,715,326	11,127,397
Payroll and related benefits	2,995,419	3,118,821
Health management	1,352,413	1,371,409
Administration	890,138	1,029,905
Professional services	1,410,821	1,359,829
Employee Assistance Program	686,752	774,952
Total operating expenses	**387,274,994**	428,349,552
Operating revenues over operating expenses	$36,195,184	$23,859,723

Non-Operating Revenues		
Investment and other income	$853,463	$708,812
Change in net assets	37,048,647	24,568,535
Net assets, beginning of year	63,747,260	39,178,725
Net assets, end of year	**$100,795,907**	$63,747,260

The accompanying notes are an integral part of the financial statements.

Statements of Cash Flows
Internal Service Fund

For the years ended June 30, 2012 & 2011

Cash Flows	2012	2011
Cash flows from operating activities		
Cash received from State, employer, members and public entities	$423,572,733	$463,470,631
Cash payments for medical claims and capitation fee payments	(370,575,842)	(407,215,344)
Cash payments to employees for services	(2,995,417)	(3,204,271)
Cash payments to other suppliers of goods and services	(15,034,572)	(22,886,508)
Net cash provided by operating activities	34,966,902	30,164,508
Cash flows from noncapital financing activities		
Changes in amounts due to SRWBT	940,929	1,123,434
Cash flows from capital and related financing activities		
Purchase of furniture, fixtures and equipment	(61,049)	(230,361)
Cash flows from investing activities		
Cash received from investment income; net of investment expenses	2,029,420	1,207,017
Purchases of investments	(32,114,617)	(39,612,703)
Proceeds from investments	30,928,273	38,065,791
Net cash provided (used) by investing activities	843,076	(339,895)
Net increase in cash and cash equivalents	36,689,858	30,717,686
Cash and cash equivalents, beginning of year	108,932,381	78,214,695
Cash and cash equivalents, end of year	**145,622,239**	108,932,381
Reconciliation of operating revenues over operating expenses to net cash provided by operating activities		
Operating revenues over operating expenses	$36,195,184	$23,859,723

Adjustments		
Adjustments to reconcile operating revenues over operating expenses to net cash provided by operating activities		
Depreciation	$182,036	$361,824
Changes in assets and liabilities		
Rebates and other receivables	(918,680)	2,008,844
Prepaid expenses	(90,852)	112,071
Accrued medical claims and capitation fees	(1,351,716)	(5,786,373)
Accounts payable and accrued expenses	(70,304)	355,909
Deferred premium revenue	1,021,234	9,252,510
Total adjustments	**(1,228,282)**	6,304,785
Net cash provided by operating activities	**34,966,902**	30,164,508
Noncash investing, capital and financing activities		
Change in fair value of investments	$(96,166)	$72,812

The accompanying notes are an integral part of the financial statements.

Statements of Plan Net Assets
State Retiree Welfare Benefit Trust

Assets	2012	2011	2010
Cash and cash equivalents	$4,239,441	$3,505,970	$2,715,702
Due from MCHCP	15,633,758	14,692,830	13,569,396
Investments	76,407,124	73,948,417	66,239,556
Receivables			
Prescription drug rebates	1,255,081	1,047,530	1,367,356
Retiree drug subsidy	1,389,733	1,393,719	2,548,068
Other receivables	307,689	348,141	324,223
Total receivables	2,952,503	2,789,390	4,239,647
Total assets	**$99,232,826**	$94,936,607	$86,764,301

Liabilities			
Accrued medical claims and capitation fees	$10,052,000	$9,534,000	$9,802,000
Deferred revenue	5,314,127	4,924,102	3,654,757
Other liabilities	267,631	258,647	112,639
Total liabilities	15,633,758	14,716,749	13,569,396
Net assets, held in trust for other post-employment benefits	**$83,599,068**	$80,219,858	$73,194,905

The accompanying notes are an integral part of the financial statements.

Statements of Change in Plan Net Assets
State Retiree Welfare Benefit Trust

Additions	2012	2011	2010
Employer contributions	$57,090,104	$53,353,553	$74,384,744
Employee contributions	50,832,210	50,923,370	50,658,363
Investment income	3,491,526	8,838,531	3,420,671
Retiree drug subsidy and other rebates	8,276,097	8,216,818	8,335,420
Total additions	**$119,689,937**	$121,332,272	$136,799,198

Deductions			
Medical claims and capitation expense	$109,968,530	$107,360,435	$104,628,432
Claims administration services	3,764,844	4,115,613	4,570,596
Administration and other	2,577,353	2,831,271	3,056,839
Total deductions	**116,310,727**	114,307,319	112,255,867
Net increase	3,379,210	7,024,953	24,543,331
Net assets held in trust for other post-employment benefits			
Beginning of year	80,219,858	73,194,905	48,651,574
End of year	**$83,599,068**	$80,219,858	$73,194,905

The accompanying notes are an integral part of the financial statements.

Notes to Financial Sections

1. General

The Missouri Consolidated Health Care Plan (the Plan) was statutorily created and organized on Jan. 1, 1994, with the purpose of providing medical insurance benefits to the State of Missouri's (State) employees, retirees and their dependents as well as other Missouri public entity employees, retirees and their dependents. Prior to 1994, medical insurance benefits for the State's employees, retirees and their dependents were provided by Missouri State Employees' Retirement System (MOSERS) medical care plan. On Jan. 1, 1994, through a transfer agreement between the Plan and MOSERS, all MOSERS-related medical care plan assets and liabilities were transferred to the Plan.

The Plan currently has more than 96,000 active and retired State members and dependents, 1,296 public entity members and dependents, and more than 97,000 covered lives, and is funded through both employer and employee contributions. Through December 31, 1994, all Plan members were State employees, retirees and their dependents. Beginning January 1, 1995, additional members included public entity employees, retirees and dependents.

State contribution rates are based on the State's approved appropriation and the number of anticipated participants. State employee and public entity contribution rates are established by the Plan's Board of Trustees based on contractor bids for the plan year and budgeted employer contributions.

Governmental Accounting Standards Board (GASB) has two statements related to accounting and reporting for post employment benefits other than pensions (OPEB): GASB No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, which was first effective for certain governments with fiscal years beginning after December 15, 2006, and GASB No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, which was generally first effective one year prior to the effective dates of GASB No. 45.

MCHCP is considered an "agent multiple employer plan" because each employer remains individually responsible for financing its own commitment to provide benefits to its participants, including any eligible retirees. During the fiscal year ended June 30, 2008, MCHCP implemented the provisions of GASB Statement No. 43. As a result of implementation, MCHCP created a separate fiduciary trust fund (State Retiree Welfare Benefit Trust, or SRWBT) to handle the post-employment benefits for State employees.

SRWBT was established and organized on June 27, 2008, pursuant to the Revised Statutes of Missouri (2000) as amended ("RSMo") 103.003 through 103.178 to provide health and welfare benefits for the exclusive benefit of current and future retired employees of the State and their dependents who meet eligibility requirements except for those retired members covered by other post-employment benefit (OPEB) plans of the State. The SRWBT is considered a cost-sharing multiple employer plan because it covers various State agencies and legally separate component units. It is administered by Plan staff under the direction of the Plan Board of Trustees. The SRWBT does not issue a separate audited financial report.

Beginning June 30, 2009, the net assets and activity related to active participants are reported in the Internal Service Fund (ISF), and the net assets and activity related to retired participants are reported in the SRWBT in the accompanying financial statements. In the following footnotes, the term "the Plan" refers to both the ISF and SRWBT. Disclosures that are specific to the ISF or SRWBT are separately noted.

The Plan is considered a part of the State's financial reporting entity and is included in the State's financial reports as a component unit. As the Plan is considered a political subunit of the State and provider of essential governmental services, it is not subject to federal income taxes, nor to the provisions of the Employee Retirement Income Security Act of 1974.

The Plan is administered according to Missouri statutes. These statutes do not include a provision for the termination of the Plan.

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities; the disclosure of contingent assets and liabilities at the date of the financial statements; and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Summary of Significant Accounting Policies

A. Basis of Accounting

The financial statements of the ISF are intended to present the financial position and the changes in financial position of only that portion of the activities attributable to the transactions of the ISF. The ISF is accounted for as a proprietary fund.

The Plan's financial statements for the ISF were prepared using the accrual basis of accounting, in accordance with GAAP, as prescribed by the Governmental Accounting Standards Board (GASB). GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, establishes the GAAP hierarchy for proprietary funds. The statement requires that proprietary activities apply to all applicable GASB pronouncements. The Plan must also apply Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before Nov. 30, 1989, to the extent that they do not conflict with GASB pronouncements.

The financial statements of the SRWBT are intended to present the financial position and the changes in financial position of only that portion of the activities attributable to the transactions of the SRWBT. Benefits and refunds of the SRWBT are recognized when due and payable in accordance with the terms of the plan. The SRWBT is accounted for as a fiduciary fund. Accordingly, the financial statements are prepared using the accrual basis of accounting in conformity with GAAP.

B. Method Used to Value Investments

Investments are reported at fair value on a trade-date basis with changes in fair value recorded in investment income on the statement of revenues, expenses and change in net assets. Investments

are recorded at fair value as determined by quoted market price, when available, or estimated fair value when not available. Many factors are considered in arriving at that fair market value. In general, however, bonds and mortgages are valued based on yields currently available on comparable securities of issuers with similar credit ratings. Realized gains and losses are based on the specific identification basis. The calculation of realized gains and losses is independent of the calculation of the change in net unrealized gains and losses.

C. Deposits & Investments

The Plan considers all highly liquid investments, readily convertible into cash with original maturities of three months or less, to be cash equivalents.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Plan would not be able to recover deposits or collateral securities in the possession of an outside party. In an effort to mitigate custodial credit risk, the Plan requires the bank to sweep the accounts each night into overnight repurchase agreements for which the underlying securities must be of the type approved by the State. All remaining cash balances are to be insured or appropriately collateralized.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the transaction, the Plan would not be able to recover the value of investments or collateral securities in the possession of an outside party. The Plan does not have a formal policy regarding custodial credit risk. However, the bank acting as the investment manager has been approved by the Plan's Board of Trustees.

Deposits

Cash balances represent operating bank account balances. To maximize investment income, the float caused by outstanding checks is invested in overnight repurchase agreements, thus causing a negative carrying value.

At June 30, 2012, cash held in the financial institution had a bank balance of $73,504 and a carrying value of ($12,529,679). Of the bank balance, $73,504 was covered by federal depository insurance. The remaining $162,391,359 of cash and cash equivalents are held in repurchase agreements and fully collateralized with securities held by a third-party financial institution in the Plan's name.

At June 30, 2011, cash held in the financial institution had a bank balance of $35,558 and a carrying value of ($10,592,530). Of the bank balance, $35,558 was covered by federal depository insurance. The remaining $123,030,882 of cash and cash equivalents are held in repurchase agreements and fully collateralized with securities held by a third-party financial institution in the Plan's name.

The Plan's contracted yield on its overnight repurchase agreements was 22 basis points above the prevailing 91-day U.S. Treasury Bill rate as of June 30, 2012 and 2011, respectively.

Investments

In December 2005, the Plan adopted a revised investment policy to maximize investment earnings for the ISF. The Plan's investment policy for the ISF is predicated on the primary objectives of safety, liquidity, and yield, in order of priority. Investments in bankers' acceptances and commercial paper are required to mature and become payable not more

Investments
Internal Service Fund

Investments	2012 Market Value	2011 Market Value
U.S. Agencies	$19,013,041	$24,293,078
U.S. Government Guaranteed Mortgages	332,038	2,676,116
U.S. Treasury	15,571,884	7,962,266
Total Investments	**$34,916,963**	$34,931,460

Investments
State Retiree Welfare Benefit Trust

Investments	2012 Market Value	2011 Market Value
U.S. Agencies	$7,117,596	$10,224,067
U.S. Government Guaranteed Mortgages	5,375,380	936,409
Corporate	13,741,031	15,352,999
Collateralized Mortgage Obligations	19,419,852	19,103,271
Equities	14,689,553	12,357,530
Mutual Funds	16,063,712	15,974,141
Total Investments	**$76,407,124**	$73,948,417

than 180 days from the date of purchase. All other investments are required to mature and become payable not more than five years from the date of purchase. The weighted average life should not exceed three years and should be consistent with the investment objectives.

The Board of Trustees, in July 2009, adopted an asset allocation model for the SRWBT that implemented a moderate investment approach allocating 33 percent to equities. This approach was approved to steadily increase the exposure of the SRWBT to higher return asset classes over time. Exposure to equities will be through a combination of actively managed index funds and/or exchange traded funds that are highly rated and reviewed regularly. Allocations are back-tested, and future assets are projected in all models.

The Plan follows the "prudent person" rule for investment decisions. Essentially, the Plan operates as a prudent person acting in a like capacity and familiar with similar matters would act in the conduct of an enterprise of a like character and with like aims. Any person with fiduciary responsibilities with respect to the Plan is covered by this "prudent person" rule. As of June 30, 2012 and 2011, the Plan had the following investments as presented above.

Credit Risk
Internal Service Fund

Investments	2012 Market Value	2012 Avg. Ratings	2011 Market Value	2011 Avg. Ratings
U.S. Agencies	$19,013,041	Aaa/AA+	$24,293,078	AAA/Aaa
U.S. Government Guaranteed Mortgages	332,038	Aaa/AA+	2,676,116	AAA/Aaa
U.S. Treasury	15,571,884	Aaa/AA+	7,962,266	AAA/Aaa
Total Investments	**$34,916,963**		$34,931,460	

Credit Risk
State Retiree Welfare Benefit Trust

Investments	2012 Market Value	2012 Avg. Ratings	2011 Market Value	2011 Avg. Ratings
U.S. Agencies	$7,117,596	Aaa/AA+	$10,224,067	AAA/Aaa
U.S. Government Guaranteed Mortgages	5,375,380	Aaa/AA+	936,409	AAA/Aaa
Corporate	13,741,031	A2	15,352,999	A+/A1
Collateralized Mortgage Obligations	19,419,852	Aaa/AA+	19,103,271	AAA/Aaa
Equities	14,689,553	A-	12,357,530	A-
Mutual Funds	16,603,712	3–STAR	15,974,141	3–STAR
Total Investments	**$76,407,124**		$73,948,417	

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the ISF's investment in a single issue. To mitigate this risk, the ISF's investment policy provides general guidelines on diversification. Investments in U.S. Treasuries and securities, collateralized time and demand deposits, and collateralized repurchase agreements can constitute up to 100 percent of the investment portfolio; U.S. government agencies, including mortgage-backed securities, cannot exceed 60 percent of the portfolio; and U.S. government agency callable securities, bankers' acceptances and commercial paper cannot exceed 30 percent of the portfolio. The SRWBT has implemented an investment approach allocating 33 percent to equities.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Plan minimizes this risk by only authorizing investment types approved by the Treasurer of the State of Missouri, limiting investments to the safest types of securities, and diversifying the portfolio so potential losses on individual securities will be minimized. The Plan does not have an investment policy designating a minimal rating. The Plan's investments by credit rating category as of June 30, 2012 and 2011 are presented above.

Interest Rate Risk
Internal Service Fund

Investments	2012 Market Value	2012 Avg. Duration	2011 Market Value	2011 Avg. Duration
U.S. Agencies	$19,013,041	2.33	$24,293,078	1.95
U.S. Government Guaranteed Mortgages	332,038	0.67	2,676,116	0.70
U.S. Treasury	15,571,884	2.30	7,962,266	2.39
Total Investments	$34,916,963		$34,931,460	

Interest Rate Risk
State Retiree Welfare Benefit Trust

Investments	2012 Market Value	2012 Avg. Duration	2011 Market Value	2011 Avg. Duration
U.S. Agencies	$7,117,596	6.20	$10,224,067	6.21
U.S. Government Guaranteed Mortgages	5,375,380	8.72	936,409	3.33
Corporate	13,741,031	6.47	15,352,999	8.60
Collateralized Mortgage Obligations	19,419,852	3.35	19,103,271	5.76
Equities	14,689,553	15 years	12,357,530	15 years
Mutual Funds	16,063,712	15 years	15,974,141	15 years
Total Investments	**$76,407,124**		$73,948,417	

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Plan minimizes this risk by 1) structuring the portfolio so securities mature to meet cash requirements for ongoing operations, 2) using cash flow modeling to moderate the interest rate risk by reducing any unanticipated security sales that could result in a loss of principal and 3) maintaining the operating funds primarily in repurchase agreements according to the banking contract. For the interest rate risk measurement for the Plan, Central Bank employs the duration method. The maturities of the Plan's investments as of June 30, 2012 and 2011 are presented above.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Plan has no investments subject to foreign currency risk.

D. Interfund Activity & Balances

As disclosed above, the ISF provides all administrative responsibilities related to SRWBT, which has no separate facilities or staff. Expenses directly attributable to SRWBT are charged to SRWBT. Other operating expenses, including personnel, are allocated between the ISF and the SRWBT based on participant counts for retired and active participants. The balance of the interfund receivable/payable represents the excess of SRWBT contributions collected by the ISF Plan over expenses paid by the ISF Plan for SRWBT.

Furniture, Fixtures & Equipment

Year	2012
Balance June 30, 2011	$2,877,958
Additions	193,770
Deletions	(157,888)
Balance June 30, 2012	**$2,913,840**

Accumulated Depreciation	
Balance June 30, 2011	$2,544,930
Depreciation Expense	182,036
Deletions	(157,888)
Balance June 30, 2012	**$2,569,078**

Furniture, Fixtures & Equipment

Year	2011
Balance June 30, 2010	$2,868,955
Additions	230,359
Deletions	(221,356)
Balance June 30, 2011	**$2,877,958**

Accumulated Depreciation	
Balance June 30, 2010	$2,404,360
Depreciation Expense	361,824
Deletions	(221,254)
Balance June 30, 2011	**$2,544,930**

E. Receivables

The Plan receives a retiree drug subsidy from the federal government for Medicare Part D Prescription Drug Plan eligible members. For fiscal years ended June 30, 2012 and 2011, all subsidies are recorded in the SRWBT, as the program is only for retirees. Estimated revenue is recognized as SRWBT incurs Medicare-eligible retiree prescription drug expenditures.

In addition, the Plan receives rebates from its pharmacy benefit manager related to manufacturers' rebates and other guaranteed rebates for non-Medicare Part D prescriptions. For the years ended June 30, 2012 and 2011, these rebates are allocated between the ISF and the SRWBT. Estimated revenue is recognized for rebates based on prescription claims counts and historical average rebate per claim.

Traditionally, receivables are composed of primarily pharmacy rebates from the pharmacy benefit manager and the Medicare Part D subsidy. Other receivables include interest income and miscellaneous premium amounts.

F. Furniture, Fixtures & Equipment

Furniture, fixtures and equipment are capitalized at cost when acquired. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Furniture and fixtures are depreciated over a 10-year useful life. Data processing equipment is depreciated over a five-year useful life. Threshold for the capitalizing of assets is $250.

Maintenance and repairs are charged to expense as incurred. The cost and related accumulated depreciation of assets sold or retired are removed from the related accounts, and the resulting gains or losses are reflected as nonoperating gains or losses in the statement of revenues, expenses and change in net assets. The changes in Furniture, Fixtures and Equipment for the years ended June 30, 2012 and 2011 are as presented in the charts above.

G. Plan Funding

State Appropriations/Contributions

Funds are appropriated to the Plan by the Missouri State General Assembly. Premiums are received one-half prior to the month of coverage and one-half during the month of coverage. Funds are received by the Plan every two weeks and coincide with the State's payroll cycle.

The State's monthly per-member active contribution for fiscal years 2012, 2011, and 2010 averaged $659, $699 and $672 per month respectively.

In addition to monthly per-member contributions, the State also provided additional funding for post-employment health care benefits (OPEB). The monthly per-member contributions are intended to cover the current plan benefits, whereas the additional funding is intended to build the funding reserve for future OPEB benefits. The State did not provide additional funding during the years ended June 30, 2012 and 2011. The total additional funding contributed during the year ended June 30, 2010 was $18,291,088.

All state appropriations are available to pay benefits for both active and retired participants, except for the additional amounts contributed to fund the OPEB reserve.

Member Premiums

Monthly member premiums for State employees are established annually by the Plan's Board of Trustees. These premiums are deducted from employee payroll checks in advance. Additionally, the Plan bills members who are not receiving payroll checks two weeks in advance.

Public Entity Premiums

Monthly public entity premiums are established annually by the Plan's Board of Trustees. The Plan bills the public entities two weeks in advance.

Deferred Premium Revenue

Deferred premium revenue includes premium revenue from the members, public entities, and the State received in advance of the month coverage is provided. During the fiscal year ended June 30, 2012 and 2011, the Plan applied for and received $5.4 and $6.2 million, respectively, from the Early Retiree Reinsurance Program (ERRP). The Early Retiree Reinsurance program was authorized by the Patient Protection and Affordable Care Act. The funds were deferred and $2,975,381 was utilized to lower premiums for members during fiscal year 2012.

Operating/Nonoperating Revenues

Operating revenues and expenses reflect items directly related to providing health benefits to members. Nonoperating revenues and expenses represent investment income and other items not directly related to providing health benefits to members.

H. Other Post-Employment Benefits

Employees may participate in state-sponsored medical coverage in retirement based on Plan criteria. At June 30, 2012 and 2011, there were 18,973 and 18,719 retirees and their dependents who met these eligibility requirements, respectively.

During the years ended June 30, 2012 and 2011, expenditures (net of retiree contributions) of approximately $100.4 million and $99.8 million, respectively, were recognized for post-retirement medical insurance coverage under the self-funded

PPO, and $8.5 million and $7.7 million, respectively, under the fully insured PPO and HMO and self-insured HMO options.

Funded Status and Funding Progress
The funded status of the SRWBT as of the most recent actuarial valuation is presented below.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Actuarially determined amounts are subject to continual revision, as actual results are compared with past expectations and revised estimates are made about future costs. The estimated actuarial accrued liability reflected above is based on the substantive plan in place at the time of the latest actuarial accrued valuation. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued benefits.

The accompanying schedule of employer contributions, presented as required supplementary information, presents trend information about the amounts contributed to the plan by employers in comparison to the amount that is actuarially determined in accordance with the requirements of GASB Statement No. 43. The annual required contribution (ARC) represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost-sharing between the employer and plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Schedule of Funding Progress ($ in Millions)
State Retiree Welfare Benefit Trust

Fiscal Year Ending	2012
Actuarial Value of Assets (a)	$83.6
Actuarial Accrued Liability (AAL) (b)	$1,594.5
Unfunded/(Overfunded) AAL (UAAL) (b) - (a)	$1,510.9
Funded Ratio (a)/(b)	5.2%
Covered Payroll (c)	$1,534.2
UAAL as a Percentage of Covered Payroll [(b) - (a) / (c)]	98.5%

Summary of Key Actuarial Methods & Assumptions
State Retiree Welfare Benefit Trust

Valuation Year	July 1, 2011 – June 30, 2012
Actuarial cost method	Entry age normal, level percent of pay
Amortization method	30 years, open, level percent of pay
Asset Valuation method	Market value

Actuarial Assumptions	
Discount rate	6.5%
Projected payroll growth rate	4.0%
Inflation Rate	3.0%
Health care cost trend rate (Medical and prescription drugs combined)	Non-Medicare: 8.00% in fiscal 2012, then decreasing by 3/5% per year to an ultimate of 5.0% in fiscal 2017 and after. Medicare: 8.50% in fiscal 2012, then decreasing by 7/10% per year to an ultimate of 5.0% in fiscal 2017 and after.

Projections include a broad array of complex social and economic events, such as the emergence of new and expensive medical procedures and prescription drug options, changes in investment rates of return, and other uncertainties. As such, the estimate of post-retirement program costs contains considerable uncertainty and variability, and actual experience may vary significantly from the current estimated obligation. Additional information as of the latest actuarial valuation is presented above.

Employer Disclosures

Participating employers, upon their implementation of the related GASB No. 45, are required to disclose additional information with regard to funding policy, the employer's annual OPEB costs and contributions made, the funded status and funding progress of the employer's individual plan, and actuarial methods and assumptions used. Employer disclosures for MCHCP can be found in footnote M.

I. Medical Claims & Capitation

As of June 30, 2012 and 2011, the Plan insured approximately 97 and 99 percent, respectively, of its members through PPO contracts. Approximately 90 percent and 91 percent, respectively, of the Plan's members were insured in the PPO for the years ended June 30, 2012 and 2011. Third-party administrators are paid a contracted administrative fee per subscriber for the self-insured contracts, with the Plan bearing all administrative and medical claims costs of providing coverage to the members. The fully insured PPOs are paid monthly based upon contracted capitation rates and current participation. The Plan bears no additional risk over the prevailing capitation rate for these contracts. Enrollment in the High Deductible Health Plan increased to approximately 3% for the year ended June 30, 2012, representing a 2% increase over enrollment at June 30, 2011, of approximately 1%.

The liability for estimated accrued claims and processing costs is based on an actuarial estimate of the ultimate cost of settling such claims due and payable as of the balance sheet date (including claims reported and in process of settlement, claims reported but not yet processed for settlement, and claims incurred for services provided but not yet reported or processed for settlement). The estimated actuarial liability reflects certain assumptions, which include such factors as enrollment and utilization. Adjustments to the estimated actuarial liability for the final settlement of claims will be reflected in the year that actual results of the settlement of the claims are made and are known.

As of June 30, 2012 and 2011, $8,312,160 and $5,657,885, respectively, is included in accrued medical claims and capitation fee expenses for accrued PPO capitation expenses. Additionally, $42,436,000 and $45,924,000 at June 30, 2012 and 2011, respectively, is included in estimated accrued medical costs for claims incurred but not yet paid under the Plan's self-funded products. Although management believes these estimates are adequate, the ultimate liability may be more or less than the amounts recorded. The methods for making such estimates and for establishing the resulting liabilities are continually reviewed, and any adjustments are reflected in current operations. Contingent liabilities exist with respect to claims covered under the Plan in the event a contracted provider or carrier is unable to meet its obligations to the Plan. Changes in estimated accrued claims for fiscal years 2012 and 2011 can be viewed in the table below.

J. Retirement Plan

All of the Plan's full-time employees are eligible to participate in the Missouri State Employees' Plan (MSEP). MSEP is a single-employer public employee retirement plan of the State of Missouri

Summary of Changes in Estimated Accrued Claims

Internal Service Fund

Balances	2012 ISF	2011 ISF
Balance at beginning of year	$36,390,000	$41,316,690
Current year claims and changes in estimates	216,917,697	255,622,823
Claim payments	(220,923,697)	(260,549,513)
Balance at end of year	**$32,384,000**	$36,390,000

Summary of Changes in Estimated Accrued Claims

State Retiree Welfare Benefit Trust

Balances	2012 SRWBT	2011 SRWBT
Balance at beginning of year	$9,534,000	$9,802,000
Current year claims and changes in estimates	110,233,953	107,644,822
Claim payments	(109,715,953)	(107,912,822)
Balance at end of year	**$10,052,000**	$9,534,000

administered in accordance with Sections 104.010 and 104.312 to 104.1093 of the Revised Statutes of Missouri. Benefits are established by and can be amended by the State of Missouri legislative process. Responsibility for the operation and administration of MSEP is vested in the Missouri State Employees' Retirement System (MOSERS) Board of Trustees. MSEP provides retirement, death and disability benefits to participants and their beneficiaries. MSEP is considered a part of the State of Missouri financial reporting entity and is included in the State's financial reports as a pension trust fund. MSEP issues a stand-alone report, which may be obtained by contacting MOSERS at 907 Wildwood Drive, PO Box 209, Jefferson City, MO 65102.

With respect to the Plan, MSEP is accounted for and reported as a cost-sharing pension plan. Plan payroll for employees covered by MSEP for the years ended June 30, 2012 through 2010 was approximately $2.9 million for fiscal year 2012 and approximately $3.0 and $3.1 million for the years ended June 30, 2011 and 2010, respectively. These amounts also represent the Plan's total payroll, excluding related benefits. The Plan made 100 percent of its actuarially determined required contributions for the years ended June 30, 2012, 2011, and 2010, which were approximately $402,000, $409,000 and $394,000, respectively. These contributions represented 13.97 percent, 13.81 percent and 12.75 percent respectively, of covered payroll, and are included in payroll and related benefit expenses. Employees are not required to make contributions.

K. Deferred Compensation Plan

Effective Sept. 1, 2007, legislation transferred responsibility for the administration of the Missouri State Employees' Deferred Compensation Program to the MOSERS Board of Trustees. On July 1, 2008, the plan administrator, Citistreet, joined ING to become ING Institutional Plan Services. Together as ING, the organization is one of the largest defined-contribution plan providers and also provides defined benefit and health and welfare services. On November 10, 2011, participant account records in the deferred compensation plan were transitioned from ING to ICMA-RC. This transition to the new record keeper led to a number of plan improvements including, but not limited to, lower fees for plan participants and the addition of a Roth 457 savings option.

Due to legislation passed during the 2011 session of the Missouri General Assembly, automatic enrollment of new permanent full-time and part-time employees at 1% of pay into the State of Missouri Deferred Compensation Plan became effective July 1, 2012.

Audited financial statements for the State of Missouri Deferred Compensation Plan can be viewed on MOSERS website at www.mosers.org.

The Deferred Compensation Plan is an eligible State deferred compensation plan as defined by Section 457 of the Internal Revenue Code. Effective January 1, 1999, amounts deferred under the plan are held in trust for the exclusive benefit of the plan participants and their beneficiaries.

L. Employee Assistance Program

An employee assistance benefit program is offered to all State employees and their immediate families. The program, serviced through Compsych, beginning January 1, 2012, offers six free mental health counseling sessions per problem, per year and can be accessed 24 hours a day through a toll-free number.

M. Post-Employment Retiree Health Care

For the year ended June 30, 2008, MCHCP also adopted GASB Statement No. 45, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. However, all State agencies and component units are included in the State's post-employment retiree health care calculations. Thus, separate information is not available for MCHCP, which is a component unit of the State. For fiscal year 2012 and 2011, respectively, MCHCP contributed $119,125 and $129,582 for its employees in accordance with the State's funding policy toward the annual required contribution (ARC) for post-employment retiree health care. These financial statements include the OPEB Plan in which MCHCP participates. See note H for further information regarding the OPEB plan.

Schedule of Percentage of OPEB Cost Contributed

Fiscal Year Ending	2012
Annual OPEB Cost	$103,428,750
Percentage of OPEB Cost Contributed	55.2%
Net OPEB Obligation	$185,149,760

Extensions

Required Supplementary Information

Schedule of Claims Development
State Actives & Retirees

Year	**FY 2012 – Total**	FY 2012 – Active	FY 2012 – Retiree
	July 1, 11 – June 30, 12	July 1, 11 – June 30, 12	July 1, 11 – June 30, 12
Required contribution and investment income	$535,485,718	$412,324,002	$123,161,716
Administrative expenses	$24,393,066	$18,050,869	$6,342,197
Estimated incurred claims and expenses end of policy year	**$511,092,652**	$394,273,133	$116,819,519

Paid Claims Summary	**FY 2012 – Total**	FY 2012 – Active	FY 2012 – Retiree
Paid (cumulative) as of	July 1, 11 – June 30, 12	July 1, 11 – June 30, 12	July 1, 11 – June 30, 12
End of policy year	**$382,449,000**	$289,146,000	$93,303,000
One year later	*	*	*
Two years later	*	*	*

Incurred Claims Summary	**FY 2012 – Total**	FY 2012 – Active	FY 2012 – Retiree
Re-estimated incurred claims and expenses	July 1, 11– June 30, 12	July 1, 11– June 30, 12	July 1, 11– June 30, 12
End of policy year	**$417,708,000**	$315,657,000	$102,051,000
One year later	*	*	*
Two years later	*	*	*
Increase (decrease) in estimated incurred claims and expenses from end of policy year	**$93,384,652**	$78,616,133	$14,768,519

Schedule of Claims Development

State Actives & Retirees

FY 2011 – Total	FY 2011 – Active	FY 2011 – Retiree	FY 2010	FY 2009
July 1, 10 – June 30, 11	July 1, 10 – June 30, 11	July 1, 10 – June 30, 11	July 1, 09 – June 30, 10	July 1, 08 – June 30, 09
$564,736,923	$443,404,650	$121,332,273	$573,512,364	$490,081,984
$25,729,199	$18,782,315	$6,946,884	$30,509,743	$15,060,109
$539,007,724	$424,622,335	$114,385,389	$543,002,621	$468,401,641

FY 2011 – Total	FY 2011 – Active	FY 2011 – Retiree	FY 2010	FY 2009
July 1, 10 – June 30, 11	July 1, 10 – June 30, 11	July 1, 10 – June 30, 11	July 1, 09 – June 30, 10	July 1, 08 – June 30, 09
$407,392,000	$313,920,000	$93,472,000	$403,561,000	$388,429,000
$440,506,912	*	*	$445,221,000	$421,369,000
*	*	*	$445,369,000	*

FY 2011 – Total	FY 2011 – Active	FY 2011 – Retiree	FY 2010	FY 2009
July 1, 10– June 30, 11	July 1, 10– June 30, 11	July 1, 10– June 30, 11	July 1, 09– June 30, 10	July 1, 08– June 30, 09
$447,849,000	$345,831,000	$102,018,000	$445,127,000	$439,261,000
*	*	*	$445,359,000	$421,699,000
*	*	*	$445,369,000	*
$91,158,724	$78,791,335	$12,367,389	$97,875,621	$29,140,641

Schedule of Funding Progress ($ in Millions)

State Retiree Welfare Benefit Trust

Fiscal Year Ending	**2012**	2011	2010	2009	2008
Actuarial Value of Assets (a)	$83.6	$80.2	$73.2	$48.7	$15.6
Actuarial Accrued Liability (AAL) (b)	$1,594.5	$1,413.2	$1,304.4	$1,629.9	$1,276.3
Unfunded/(Overfunded) AAL (UAAL) (b) - (a)	$1,510.9	$1,333.0	$1,231.2	$1,581.2	$1,260.3
Funded Ratio (a)/(b)	5.2%	5.7%	5.6%	3.0%	1.3%
Covered Payroll (c)	$1,534.2	$1,559.1	$1,614.0	$1,638.1	$1,572.9
UAAL as a Percentage of Covered Payroll [(b) - (a) / (c)]	98.5%	85.5%	76.3%	96.5%	80.1%

The schedule of funding progress presents multi-year trend information comparing the actuarial value of plan assets to the actuarial accrued liability (in millions).

Schedule of Employer Contributions

State Retiree Welfare Benefit Trust

Fiscal Year Ending	Annual Required Contributions	Actual Contributions	Percentage Contributed
June 30, 2012	$100,799,906	$57,080,104	56.6%
June 30, 2011	99,766,158	53,353,553	53.5%
June 30, 2010	93,864,650	74,384,744	79.2%
June 30, 2009	124,511,154	91,446,684	73.4%
June 30, 2008	$104,479,000	$68,628,500	65.9%

The State provided benefit payments and administrative costs of $57.1 and $53.4M in fiscal 2012 and 2011, respectively. The State provided benefit payments and administrative costs of $56.1M and an additional contribution to the trust of $18.3M in fiscal 2010. The Statement of Changes in Plan Net Assets provides more details concerning these amounts.

Summary of Key Actuarial Methods & Assumptions
State Retiree Welfare Benefit Trust

Fiscal Year	**2012**	2011
Valuation Year	July 1, 2011 – June 30, 2012	July 1, 2010 – June 30, 2011
Actuarial cost method	Entry age normal, level percent of pay	Entry age normal, level percent of pay
Amortization method	30 years, open, level percent of pay	30 years, open, level percent of pay
Asset Valuation method	Market value	Market value

Actuarial Assumptions		
Discount rate	6.5%	7.0%
Projected payroll growth rate	4.0%	4.0%
Health care cost trend rate (Medical and prescription drugs combined)	Non-Medicare: 8.00% in fiscal 2012, then decreasing by 3/5% per year to an ultimate of 5.0% in fiscal 2017 and after. Medicare: 8.50% in fiscal 2012, then decreasing by 7/10% per year to an ultimate of 5.0% in fiscal 2017 and after.	7.67% in fiscal year 2011, then decreasing by 2/3% per year to an ultimate of 5.0% in fiscal 2015 and after.

Summary of Key Actuarial Methods & Assumptions
State Retiree Welfare Benefit Trust

Fiscal Year	2010	2009	2008
Valuation Year	July 1, 2009 – June 30, 2010	July 1, 2008– June 30, 2009	July 1, 2007 – June 30, 2008
Actuarial cost method	Entry age normal, level percent of pay	Entry age normal, level percent of pay	Entry age normal, level percent of pay
Amortization method	30 years, open, level percent of pay	30 years, open, level percent of pay	30 years, open, level percent of pay
Asset Valuation method	Market value	Market value	Market value

Actuarial Assumptions			
Discount rate	7.0%	7.5%	7.8%
Projected payroll growth rate	4.0%	4.0%	4.0%
Health care cost trend rate (Medical and prescription drugs combined)	8.33% in fiscal year 2010, then decreasing by 2/3% per year to an ultimate of 5.0% in fiscal 2015 and after.	9% in fiscal year 2009, then decreasing by 2/3% per year to an ultimate of 5.0% in fiscal 2015 and after.	10% in fiscal year 2008, then decreasing by 1% per year to an ultimate of 5.0% in fiscal 2013 and after.

Junctions

Statistical Information

Historical Data
Internal Service Fund

Ten years ended June 30, 2012

Revenues by Source

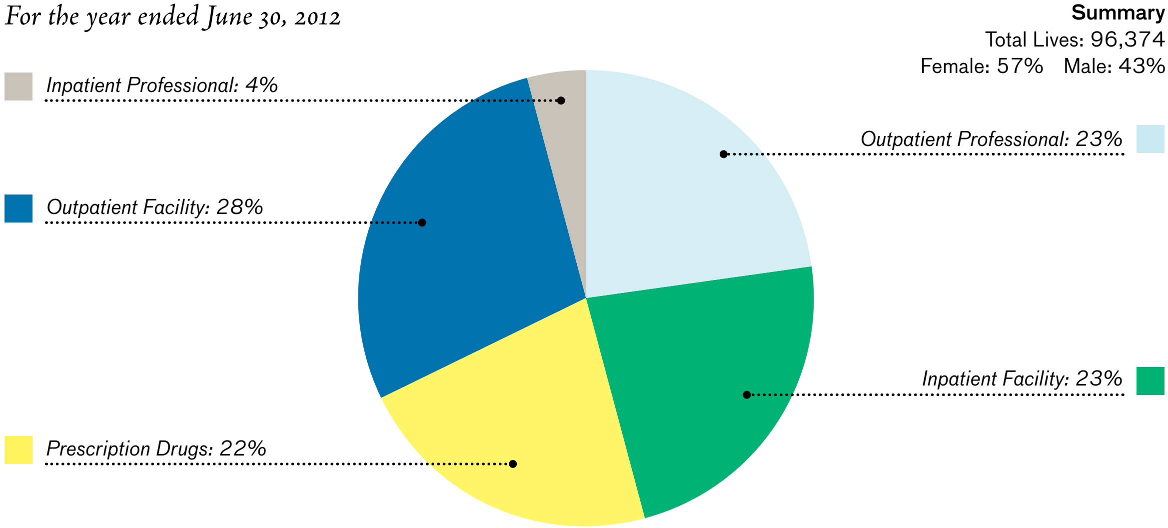
Fiscal Year	State/Employer Contributions	Member Contributions	Public Entity Income	Pharmacy Rebates & Subsidy	Total Operating Revenues	Investment & Other Income
2012	$319,804,444	$89,797,753	$8,492,621	$5,375,360	**$423,470,178**	$853,463
2011	354,247,003	83,925,846	9,513,436	4,522,990	452,209,275	708,812
2010	356,953,666	73,309,792	10,295,456	5,344,809	445,903,723	1,104,898
2009	270,289,644	65,348,201	9,966,190	4,603,754	350,207,789	2,504,570
2008	276,886,166	57,339,368	10,008,570	5,033,832	349,267,936	7,099,139
2007	362,001,092	93,152,562	9,121,094	10,150,614	474,425,362	9,104,038
2006	319,465,109	84,069,097	8,989,197	8,104,447	420,627,850	5,928,270
2005	322,984,426	79,112,936	12,455,591	5,306,796	419,859,749	2,492,453
2004	281,657,137	84,756,549	18,201,930	5,169,299	389,784,915	765,034
2003	$263,544,820	$84,372,737	$26,378,699	$4,610,566	$378,906,822	$668,168

Expenses by Type

Fiscal Year	Medical Claims/ Capitation & Health Administrative Services	Administration & Payroll	Other	Total Operating Expenses & Fees	Loss on Disposal of Fixed Assets
2012	$381,291,864	$3,885,557	$2,097,573	**$387,274,994**	–
2011	422,066,045	4,148,726	2,134,781	428,349,552	–
2010	422,117,593	4,275,900	2,230,997	428,624,490	–
2009	431,216,276	4,809,936	2,117,078	438,143,290	–
2008	376,273,599	4,451,041	1,823,192	382,547,832	–
2007	437,756,208	5,597,367	1,975,742	445,329,317	–
2006	396,446,979	5,309,717	2,108,558	403,865,254	–
2005	383,918,636	5,290,374	1,697,269	390,906,279	–
2004	366,923,269	5,364,366	1,549,405	373,837,040	(24,050)
2003	$348,145,907	$5,619,962	$1,610,952	$355,376,821	–

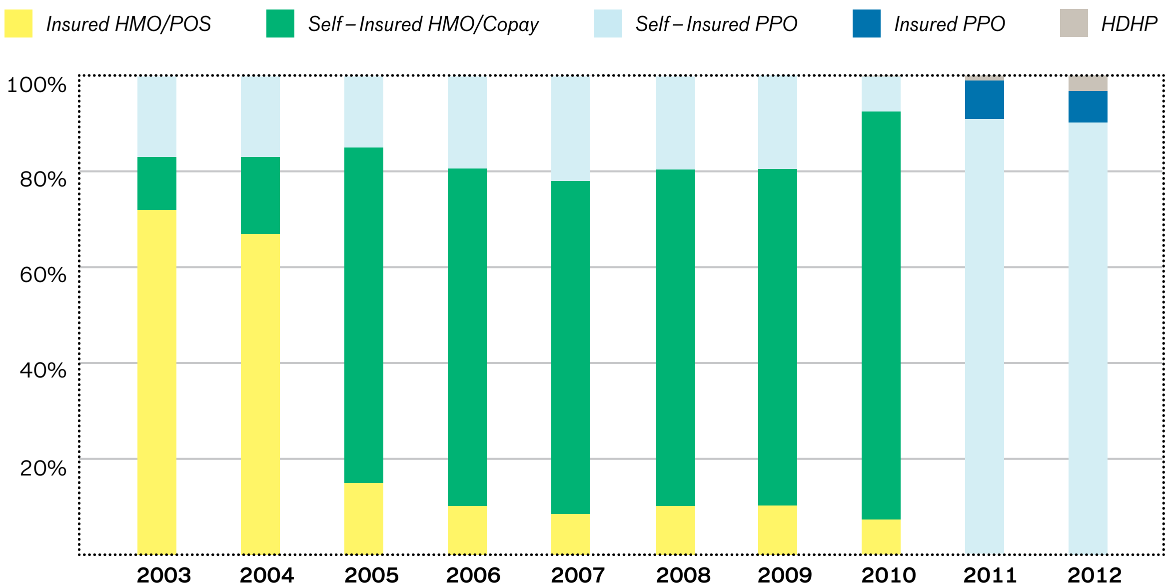
Distribution of Claim Payments
State Members

For the year ended June 30, 2012



Total Lives by Health Care Option
State Members

Ten years ended June 30, 2012



Statements of Revenues, Expenses, & Change in Net Assets
Internal Service Fund

Ten years ended June 30, 2012

Operating Revenues	**2012**	2011	2010	2009
State/employer contributions	$319,804,444	$354,247,003	$356,953,666	$270,289,644
Member contributions	89,797,753	83,925,846	73,309,792	65,348,201
Public entity contributions	8,492,621	9,513,436	10,295,456	9,966,190
Pharmacy rebates	5,375,360	4,522,990	5,344,809	4,603,754
Medicare Part D subsidy	–	–	–	–
Total operating revenues	**$423,470,178**	$452,209,275	$445,903,723	$350,207,789
Operating Expenses				
Medical claims and capitation expense	$369,224,125	$409,567,239	$405,742,184	$411,593,266
Claims administration services	10,715,326	11,127,397	13,711,789	15,104,342
Payroll and related benefits	2,995,419	3,118,821	3,365,166	3,605,582
Health management	1,352,413	1,371,409	2,663,620	4,518,668
Administration	755,431	668,081	910,734	1,204,354
Professional services	1,410,821	1,359,829	1,132,392	1,137,039
Employee Assistance Program	686,752	774,952	757,934	696,380
Depreciation	134,707	361,824	340,671	283,659
Total operating expenses	**387,274,994**	428,349,552	428,624,490	438,143,290
Operating revenues over (under) operating expenses	$36,195,184	$23,859,723	$17,279,233	$(87,935,501)
Nonoperating Revenues				
Investment and other income	$853,463	$708,812	$1,104,898	$2,504,570
Loss on disposal of furniture, fixtures and equipment	–	–	–	–
Other nonoperating expenses	–	–	–	–
Change in the net assets	37,048,647	24,568,535	18,384,131	(85,430,931)
Net assets, beginning of year	63,747,260	39,178,725	20,794,594	106,225,525
Net assets, end of year	**$100,795,907**	$63,747,260	$39,178,725	$20,794,594

Statements of Revenues, Expenses, & Change in Net Assets

Internal Service Fund

Ten years ended June 30, 2012

2008	2007	2006	2005	2004	2003
$276,886,166	$362,001,092	$319,465,109	$322,984,426	$281,657,137	$264,052,867
57,339,368	93,152,562	84,069,097	79,112,936	84,756,549	84,372,737
10,008,570	9,121,094	8,989,197	12,455,591	18,201,930	26,378,699
5,033,832	5,678,206	5,539,208	5,306,796	5,169,299	–
–	4,472,408	2,565,239	–	–	–
$349,267,936	$474,425,362	$420,627,850	$419,859,749	$389,784,915	$374,804,303
$357,621,982	$414,402,466	$376,750,654	$370,454,024	$357,845,282	$338,173,615
14,432,722	17,604,641	16,857,025	13,464,612	9,077,987	5,869,772
3,291,979	4,123,871	3,887,880	3,920,693	3,785,291	3,753,395
4,218,895	5,749,101	2,839,300	–	–	–
1,159,062	1,473,496	1,421,837	1,369,681	1,579,075	1,866,567
907,127	816,500	1,004,715	633,549	416,113	417,463
674,601	881,723	874,492	868,345	873,428	912,175
241,464	277,519	229,351	195,375	259,864	281,314
382,547,832	445,329,317	403,865,254	390,906,279	373,837,040	351,274,301
$(33,279,896)	$29,096,045	$16,762,596	$28,953,470	$15,947,875	$23,530,002
$7,099,139	$9,104,038	$5,928,270	$2,492,453	$765,034	$668,168
–	–	–	–	(24,050)	–
–	–	–	–	1,220	(7,460)
(26,180,757)	38,200,083	22,690,866	31,445,923	16,690,079	24,190,710
132,406,282	94,206,199	71,515,333	40,069,410	23,379,331	(811,379)
$106,225,525	$132,406,282	$94,206,199	$71,515,333	$40,069,410	$23,379,331

Schedule of Net Assets by Component
Internal Service Fund

Ten years ended June 30, 2012

Net Assets	Investment in capital assets, net of related debt	Unrestricted	Total net assets
2012	$256,281	$100,539,626	**$100,795,907**
2011	333,028	63,414,232	63,747,260
2010	418,325	38,760,400	39,178,725
2009	488,735	20,305,859	20,794,594
2008	447,943	105,777,582	106,225,525
2007	400,575	132,005,707	132,406,282
2006	337,958	93,868,241	94,206,199
2005	371,501	71,143,832	71,515,333
2004	429,318	39,640,092	40,069,410
2003	$589,457	$22,789,874	$23,379,331

Full-Time Employees
Missouri Consolidated Health Care Plan

Ten years ended June 30, 2012

Department	**2012**	2011	2010	2009	2008
Executive and Administration	5.00	4.76	4.46	3.61	3.85
Operations	46.59	47.79	52.80	58.98	57.07
General Counsel	2.00	1.75	0.75	1.00	1.00
Internal Audit	3.00	3.00	2.96	3.00	3.00
Human Resources	1.00	0.82	1.48	2.00	2.00
Fiscal	6.00	6.00	6.00	6.00	6.00
Total	**63.59**	64.12	68.45	74.59	72.92

Department	2007	2006	2005	2004	2003
Executive and Administration	4.00	4.00	4.50	5.00	5.68
Operations	58.06	59.65	62.42	63.57	63.49
General Counsel	1.00	1.00	1.00	1.00	0.98
Internal Audit	2.88	.004	–	–	–
Human Resources	1.62	2.00	2.00	1.67	2.00
Fiscal	5.60	6.00	6.00	6.88	6.96
Total	73.16	72.69	75.92	78.12	79.11

State Membership Enrolled in MCHCP
Subscribers & Dependents

As of June 30, 2012

Summary
Average Age: 39.7 Years
Female: 57% Male: 43%

Age	Active		COBRA		Disabled		Retirees		Survivors		Vested		Total
	Female	*Male*	*F*	*M*	*F*	*M*	*F*	*M*	*F*	*M*	*F*	*M*	
< 1	368	417	–	1	–	–	1	3	–	–	–	–	790
1–10	5,092	5,457	7	3	–	1	22	10	1	–	3	4	10,600
11–19	6,237	6,456	3	4	11	4	95	87	15	10	6	3	12,931
20–24	3,465	3,242	5	2	5	5	157	173	10	19	–	6	7,089
25–29	2,456	1,788	10	7	–	1	26	37	1	1	–	1	4,328
30–34	2,915	1,676	5	3	2	1	1	6	–	1	3	1	4,614
35–39	3,091	1,796	3	1	4	1	5	5	–	1	5	1	4,913
40–44	3,772	2,221	12	2	11	6	9	5	1	–	8	5	6,052
45–49	4,242	2,656	6	3	24	12	30	10	–	3	11	6	7,003
50–54	4,634	2,888	4	5	32	17	378	123	10	3	29	12	8,135
55–59	3,823	2,747	6	2	38	10	1,453	697	24	7	29	10	8,846
60–64	2,296	1,913	11	6	19	10	2,523	1,437	44	14	9	11	8,293
65–69	510	618	–	–	3	2	2,203	1,443	67	22	–	2	4,870
70–74	93	124	–	–	–	1	1,700	1,110	101	32	1	1	3,163
75–79	24	36	–	–	1	–	1,272	768	116	32	–	–	2,249
≥80	6	10	–	–	–	–	1,421	727	294	38	1	1	2,498
Subtotal	43,024	34,045	72	39	150	71	11,296	6,641	684	183	105	64	**96,374**
Total	**77,069**		**111**		**221**		**17,937**		**867**		**169**		**96,374**

Enrollment History
State Membership

Ten years ended June 30, 2012

Year	Active	COBRA	Disabled	Retirees	Survivors	Vested	Total
2012	**77,069**	**111**	**221**	**17,937**	**867**	**169**	**96,374**
2011	79,317	147	258	17,682	872	165	98,441
2010	86,744	260	271	17,122	857	171	105,425
2009	88,277	189	351	16,802	852	210	106,681
2008	85,884	135	390	16,538	821	254	104,022
2007	84,585	189	424	16,154	820	267	102,439
2006	83,129	192	466	15,668	819	298	100,572
2005	86,459	185	515	15,351	800	296	103,606
2004	85,200	181	541	15,128	792	326	102,168
2003	88,123	249	676	13,392	765	336	103,541

Public Entity Membership Enrolled in MCHCP
Subscribers & Dependents

As of June 30, 2012

Summary
Average Age: 42 Years
Female: 58% Male: 42%

Age	Active		COBRA		Retirees		Total
	Female	*Male*	*F*	*M*	*F*	*M*	
< 1	5	1	–	–	–	–	6
1–10	38	37	–	–	–	–	75
11–19	50	52	–	–	–	–	102
20–24	30	45	–	–	–	–	75
25–29	31	40	–	2	–	–	73
30–34	53	45	–	–	–	–	98
35–39	54	38	1	–	–	–	93
40–44	64	38	1	–	–	–	103
45–49	97	44	–	–	–	–	141
50–54	83	61	1	–	–	–	145
55–59	122	58	–	1	–	1	182
60–64	84	59	1	2	3	–	149
65–69	20	12	–	–	–	–	32
70–74	7	3	–	–	2	3	15
75–79	2	4	–	–	1	–	7
≥80	–	–	–	–	–	–	–
Subtotal	740	537	4	5	6	4	**1,296**
Total	**1,277**		**9**		**10**		**1,296**

Enrollment History
Public Entity Membership

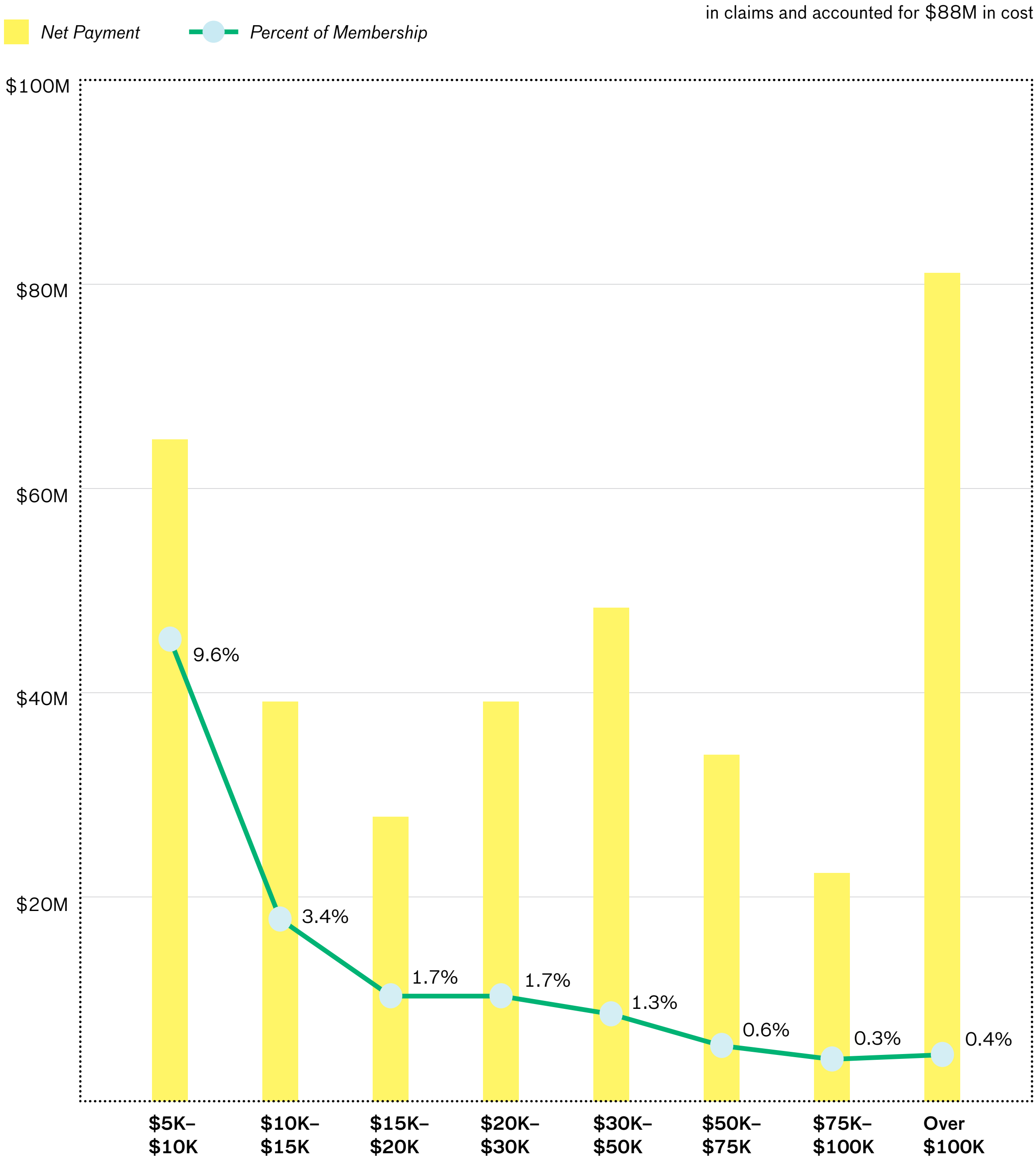
Ten years ended June 30, 2012

Year	Active	COBRA	Retirees	Total
2012	**1,277**	**9**	**10**	**1,296**
2011	1,365	12	13	1,390
2010	1,596	16	14	1,626
2009	1,590	16	7	1,613
2008	1,752	13	18	1,783
2007	1,851	18	11	1,880
2006	1,795	11	14	1,820
2005	1,654	5	24	1,683
2004	3,595	37	92	3,724
2003	4,900	47	122	5,069

Paid Claims Distribution by Individual
State Members

For the year ended June 30, 2012

Summary
81.1% of membership accumulated $0-$5k in claims and accounted for $88M in cost



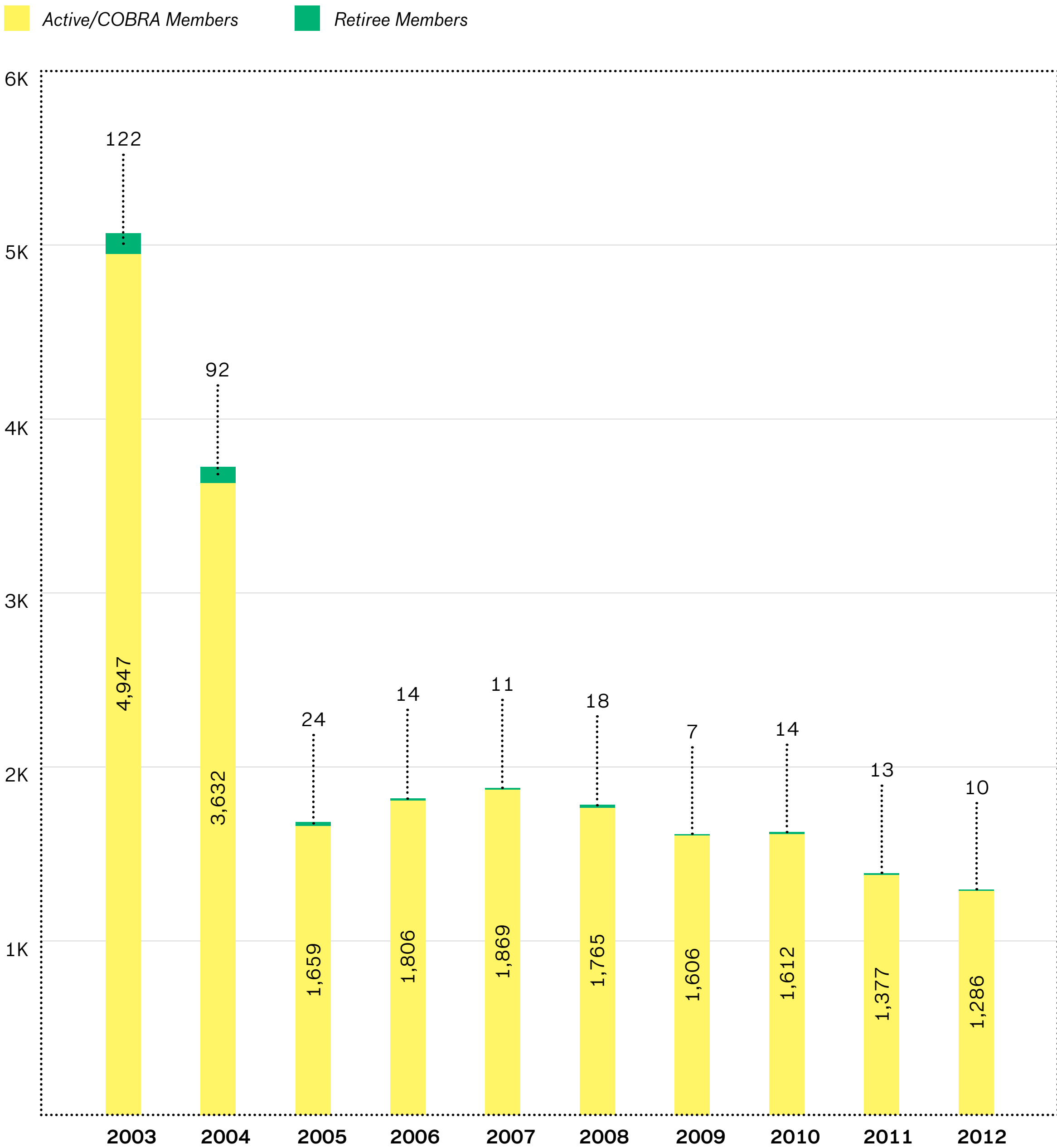
Enrollment Distribution
State Members

Ten years ended June 30, 2012

Enrollment Distribution

Public Entity Members

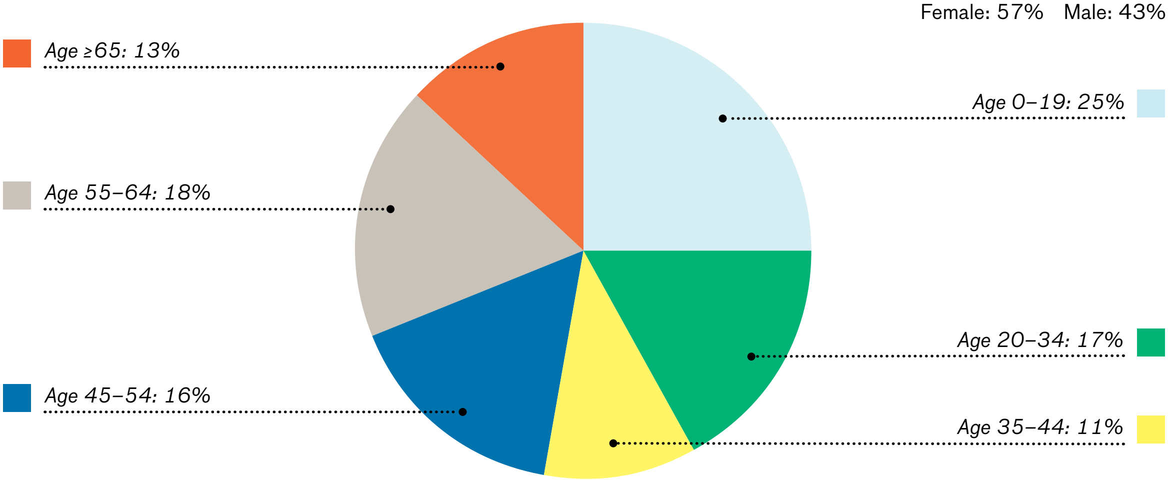
Ten years ended June 30, 2012



Plan Demographics
State Members

For the year ended June 30, 2012

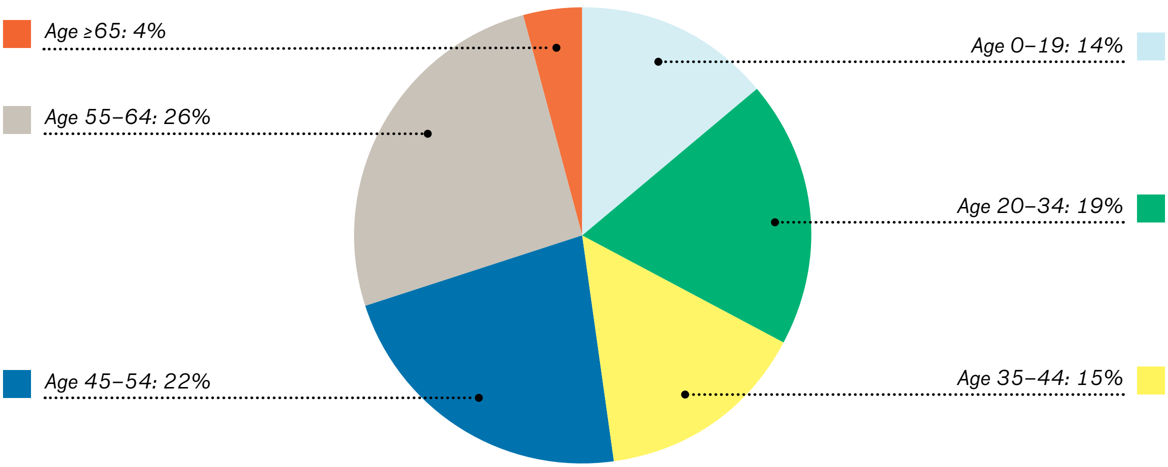
Summary
Total Lives: 96,374
Female: 57%   Male: 43%



Plan Demographics
Public Entity Members

For the year ended June 30, 2012

Summary
Total Lives: 1,296
Female: 58%   Male: 42%



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